

## **REVIEWER'S SUMMARY OF SALIENT FACTS**

**Clients & Intended Users of Review:** The clients are the State of Montana, the Montana Board of Land Commissioners, Montana Department of Corrections and Montana Department of Natural Resources & Conservation. The intended users are the DOC, DNRC, and Land Board.

**Intended Use of Review:** The intended use is to provide the clients with an opinion of the credibility of an opinion of current fair market value of the appraised subject property for use in the decision making process concerning the setting of a minimum bid price for an auction sale of said subject property. An opinion of the quality of the appraisal report as well as this reviewer's opinion of value will be reported.

**Subject Property:** DOC-Pine Hills, (Old Campus), Miles City, Montana

**Present Owner & Legal Description:** The owner is the State of Montana, Department of Corrections. The legal description is: Tract A, Part of the NW1/4-NW1/4 of Sec. 35, T8N-R47E, COS 134669, Envelope 454A, Custer County, Montana.

**Acreage Amounts:** 17.119 total gross acres, with 16.502 usable acres. See Appraisal Report for more detail including frontage amounts.

**Improvements Description:** See Appraisal Report

**Property Interest Appraised:** Fee Simple

**Present Use:** Limited Storage for adjoining facility.

**Highest and Best Use:** General Commercial

**Dates:** The appraisal's effective date and subject's last inspection date is November 21, 2006. The report date is December 22, 2006. The effective date of the review is January 26, 2007.

**Purpose and Intended Use of Appraisal:** To estimate an opinion of the market value of the subject property in conformance with USPAP. The appraisal is to be used for possible sale of the site and land and building improvements thereon.

**Appraiser's Opinion of Value of Real Estate:**

As Is (With Buildings Present):	\$ 390,000
As Vacant (With Buildings Removed):	\$1,040,000

**Reviewer's Comments:** The reviewer finds the report is acceptable and that it appears credible. This review is not a stand alone document and is expressly interrelated to the appraisal report.

**Reviewer's Conclusion of Value:** It is this reviewer's opinion that the appraiser's opinions of values for the subject property, which was valued two ways, are appropriate.

APPRAISAL REVIEW REPORT  
Proposed Dept. of Corrections Property Sale  
North Haynes Ave. & Leighton Blvd., Miles City  
Custer County, Montana  
January 26, 2007

Prepared for:  
State of Montana  
Department of Natural Resources and Conservation  
Trust Land Management Division  
Real Estate Management Bureau  
1625 11<sup>th</sup> Avenue  
Helena, MT 59620

Prepared by:  
Thomas J. Konency, Appraiser  
State of Montana  
Department of Natural Resources and Conservation  
Trust Land Management Division  
Real Estate Management Bureau  
1625 11<sup>th</sup> Avenue  
Helena, MT 59620

**Client & Intended Users of Review:**

The client is the State of Montana, the Montana Board of Land Commissioners, Montana Department of Corrections and Montana Department of Natural Resources and Conservation. Intended users are the DOC, DNRC and Land Board.

**Intended Use and Purpose of Review and Appraiser Reviewed:**

The intended use is to provide the Department of Corrections and the Land Board with information to make an administrative determination of the minimum bid price for the auction sale of a parcel of DOC land located in Miles City, MT. The appraisal under review was submitted by Mr. George Luther Jr., of Luther Appraisal Services, Miles City, MT.

**Owner of Record, Subject Property Acreage, Location & Legal Description:**

The current owner is the State of Montana, Department of Corrections. The subject property is 17.119-acres, with approximately 16.502-acres of useable area. There is about 808 feet of frontage along the east side of the North Haynes Avenue and about 895 feet of frontage along the south side of the Leighton Boulevard. The reviewer believes the legal description to be: Tract A, Part of the NW1/4-NW1/4 of Sec. 35, T8N-R47E, COS 134669, Envelope 454A, Custer County, Montana.

**Date of Appraisal, Date of Review & Estate Appraised :**

The effective date of the appraisal and latest inspection date is November 21, 2006. The effective date of the review is January 26, 2007. The subject property was appraised in fee simple interest subject to easements, conveyances, encumbrances, restrictions and reservations.

**Purpose and Intended User and Intended Use Of Appraisal:**

Per the appraiser, the purpose of the appraisal is to estimate an opinion of the market value of the subject property in conformance with USPAP. The appraiser states it is his understanding the appraisal is to be used for possible sale of the site and land and building improvements thereon.

**Estimate of Value:**

Following is a summary of the appraiser's opinions of values:

As Is:           \$ 390,000  
As Vacant: \$1,040,000

### **Scope of the Review:**

The reviewer will be reviewing and making an opinion of the quality of the appraisal, along with developing his own opinion of the appraiser's opinions of values. The reviewer's valuation opinion will be limited to an orientation prospective of the appraiser's estimate, i.e., "the appraiser's estimate of value appears high, low, appropriate, or unsupported", etc. The reviewer's opinions of appraisal quality and the appraiser's estimate of value will be based on the material submitted in the report and use of aerial photos and maps on the cadastral system and MDT web site.

This review is not a stand alone document and is expressly interrelated to the appraisal report, which the reader may need to refer to for further explanation. In the development of this reviewer's opinion of the appraiser's estimate of value, an **extraordinary assumption** has been made that the information on the subject, the comparable sales and the market data submitted in the appraiser's report is credible.

### **Highest and Best Use:**

The appraiser states that the subject property's Highest and Best Use as Vacant is for general commercial purposes. The appraiser further determined that the buildings are currently a burden to the underlying land and would have to be removed to make the land available for the highest and best use of the subject. The reader is referred to the appraisal report for further discussion and analysis. This reviewer concurs with the appraiser's Highest and Best Use determinations.

### **Subject Property Data & Analysis Summary:**

The appraiser has provided good information on, and done a good analysis of, the subject property, neighborhood and market in general. The appraiser states he has made **hypothetical conditions** for his analysis concerning: a limited road easement along part of the east side of the subject tract; zoning being changed from Ag to General Commercial; special conditions of use concerning a fence, alcoholic beverages & gambling, and; an opinion of value of the property without any buildings or site improvements. The reader is referred to the appraisal report for more detail of the hypothetical conditions.

The reader is also referred to the appraisal report for a discussion of hazardous materials/environmental considerations, and that there is asbestos on the subject property. The appraiser also discussed Historic Preservation concerns in his report.

For informational purposes:

USPAP defines Hypothetical Condition as: that which is contrary to what exists but is supposed for the purpose of analysis.

USPAP defines Extraordinary Assumption as: an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions.

**Valuation Summary:**

For reasoning supplied in the appraisal report, the appraiser considered the Sales Comparison Approach to be the only applicable guide to value of the land, and this reviewer concurs. The appraiser appears to have done a thorough search of the subject's market area for comparables, done a sufficient job in their description and a good analysis of the information. This reviewer refers the reader to the actual report for a more detailed explanation of the analysis. The reader is also referred to the appraisal report for the appraiser's estimate of demolition/removal of the improvements.

Again, in this reviewer's own development of opinion of the appraiser's estimate of value, this reviewer has made the **extraordinary assumption** that the comparables and other information provided by the appraiser is/are credible.

**Appraisal Review Comments:**

This reviewer finds the appraisal procedure and report to be of generally good quality overall and the results appear credible.

**Conclusion of Land Value:**

The appraiser's opinions of values for the subject property are restated as follows:

As Is	\$ 390,000
As Vacant	\$1,040,000

It is this reviewer's opinion that the appraiser's opinions of values for the subject property, which was valued two ways, are appropriate.

(NOTE: The appraiser did comment on a *discount* for a "bulk" sale of the subject property and the reader is referred to the report on this matter.)

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Thomas J. Konency, Montana DNRC TLMD Appraiser

Dated: January 26, 2007

## **REVIEW REPORT ASSUMPTIONS AND LIMITING CONDITIONS**

The certification of the review appraiser appearing in the appraisal review report is subject to the following conditions and to such other specific and limiting conditions as set forth in the review report.

1. The review appraiser will not be responsible for matters of a legal nature affecting either the report being reviewed, the property being appraised or the title to it. Except for information that was provided or uncovered during the research involved in performing the appraisal review and ordinarily employed by real estate appraisers, no opinion is intended to be expressed for legal matters or that would require specialized knowledge or investigation. The review appraiser assumes that the title is good and marketable, ("free and clear"), and, therefore, will not render any opinions about the title. Unless otherwise mentioned in this review report, the property is appraised as if owned in fee simple title without encumbrances and on the basis of it being under responsible ownership and/or competent management.
2. The review appraiser assumes that the legal descriptions furnished are correct and the review appraiser has not surveyed the property. Acreage of land types and measurements of improvements are based on physical inspection of the property or information provided unless otherwise noted in the review report. Sketches or drawings in this review report are included to assist the reader in visualizing the property. They are not to be considered a legal survey or engineer's plan of any kind. Any and all other sketches, drawings, maps, etc., are also provided for informational purposes only and are not for any legal reference. Access has been investigated only to the satisfaction of the review appraiser. No assurance of legal access, or lack of, is expressed or implied as a legal opinion. The same is true of encroachment and trespass issues.
3. The review appraiser has noted in the appraisal review report any adverse conditions, (such as, but not limited to, needed repairs, depreciation, the presence of hazardous wastes, toxic substances, flood plains, etc), observed during the routine inspection of the subject property, and/or adjacent properties, or that was discovered during the normal research involved in performing the appraisal review. Unless otherwise stated in this review report, the review appraiser has no knowledge of any hidden or unapparent conditions of the property, and/or adjacent properties, or adverse environmental conditions, (including, but not limited to, the presence of hazardous wastes, toxic substances, etc), that would make the property less valuable, and has assumed that there are no such conditions and makes no guarantees or warranties, express or implied, regarding the condition of the property. The review appraiser will not be responsible for any such conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because the review appraiser is not an expert in the field of environmental hazards, the appraisal review report must not be considered as an environmental assessment of the property. Concerns about soil conditions, actual condition of improvements or systems, or property conformity to zoning, building, fire, ADA, and other such applicable laws, regulations, rules and codes, should all be referred to the proper experts.

4. The review appraiser is not an expert in minerals, mineral rights, timber, timber volumes, crops, farm programs or water requirements and rights. Unless otherwise noted, only surface rights will be appraised or reviewed with no value specifically allotted to the mineral rights or deposits. Timber values, if considered a part of the review report, will rely on proper experts, as will farm programs. Typically, growing crops are not considered in the review report. Usually it is assumed the water rights have been secured or perfected, with their value generally considered an inherent part of the land value, with any deviation from this to be included in the review report. Rental and lease agreements, conservation plans, options and other situations may also require reliance on proper experts.
5. The review appraiser has obtained information, opinions, estimates, surveys, plans, maps and information on regulations, restrictions and studies, etc., from various sources including the property owner, agent, or manager, as well as from real estate professionals, government agencies, appraisers and other sources. Unless otherwise noted, the sources are considered reliable and the information is complete and correct. However, the review appraiser does not assume responsibility for the accuracy of such items that were furnished by other parties.
6. The review appraiser assumes no responsibility or liability for future conditions, about which information was not supplied or readily available or was not public knowledge at the time the appraisal review is made, nor for the effect of events, which might concern the value of the subject property subsequent to date of appraisal review. Montana is a non-disclosure state and as such sales prices of real estate are not publicly recorded. Therefore, with few consolidated sources of sales information existing, and no obligation to release or verify information by many of the parties associated with the transactions, sales of comparable properties may not be known by this review appraiser, and absolute verification of the sales found may not be possible.
7. If the Departure Rule was invoked, then it will be noted in the review report. All extraordinary assumptions and hypothetical conditions, including, but not limited to, satisfactory completion and repairs or alterations, will be noted in the appraisal review report. It is assumed there will be consistency with all the plans, estimates, specifications, planned work, projections, or requirements, initially provided. Deviation from those items may affect the value reported. Great effort has been taken to eliminate all error in identifying, developing and processing the review report. However, if errors or omissions are found, they will have to be reviewed to see if they will affect the opinion of value reported.
8. The review appraiser will not disclose the contents of this appraisal review report except as provided for in the Uniform Standards of Professional Appraisal Practice, and/or applicable federal, state, or local laws, rules or regulations. The review appraiser is not obligated to/by any unauthorized use of this review report by third parties or the “extraction” of only parts of the review report and attempting to apply those parts in any other process or to reach a conclusion.
9. It is assumed that there has not been any significant change, physical or otherwise, to the subject property between the inspection date and date the review report is signed.

**REVIEW APPRAISER'S CERTIFICATION: This review appraiser certifies and agrees that:**

1. I have no present or prospective interest in the property that is the subject of this report and review, and I have no present or prospective personal interest or bias with respect to the participants in the transaction. I did not base, either partially or completely, my analysis and/or opinion of market value in the appraisal review report on the race, color, religion, sex, age, marital status, handicap, familial status, or national origin of either the prospective owners or occupants of the subject property or of the present owners or occupants of the properties in the vicinity of the subject property or on any other basis prohibited by law.
2. My employment and/or compensation for performing this appraisal review or any future or anticipated appraisal reviews was not conditioned on any agreement or understanding, written or otherwise, that I would report (or develop or present any analysis, opinions or conclusions supporting) a predetermined specific value, a predetermined minimum or maximum value, a range or direction in value, a value that favors the cause of any party, or the attainment of a specific result or occurrence of a specific event or action, or the subsequent event directly related to the use of this appraisal review report.
3. I have taken into consideration the factors that have an impact on value in the development of my opinion of market value for the subject property. I have noted in the appraisal review report any adverse conditions, (such as, but not limited to, needed repairs, depreciation, the presence of hazardous materials, toxic substances, adverse environmental conditions, etc.) observed during the inspection of the subject property or that I became aware of during the research involved in performing the appraisal review. I have considered these adverse conditions in my analysis of the property value to the extent that I had market evidence to support them, and have commented about the effect of the conditions on the marketability of the subject property.
4. I have not knowingly withheld any significant information from the appraisal review report that would have an impact on value and I believe, to the best of my knowledge, that all statements and information in the appraisal review report are true and correct. I have stated in this appraisal review report only my own personal, unbiased, and professional analysis, opinions, and conclusions, which are subject only to the limiting conditions specified in this appraisal review report.
5. To the best of my knowledge, I have preformed this appraisal review in conformity with the Uniform Standards of Professional Appraisal Practice. I have personally analyzed and prepared all the conclusions and opinions about the real estate that are set forth in this appraisal review report. If I have relied on significant real property appraisal or review assistance from any individual(s) in the performance of the appraisal review or preparation of the appraisal review report, I have named such individual(s) and disclosed the specific tasks preformed in the appraisal review report. I certify that any individual(s) so named is qualified to perform the tasks. I have not authorized anyone to make a change to any item in the appraisal review report; therefore, any change made to the appraisal review is unauthorized and I take no responsibility for it.

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Thomas J. Konency, Montana DNRC TLMD Appraiser

Dated: January 26, 2007